



STATE OF IDAHO

OFFICE OF THE STATE TREASURER

RON G. CRANE STATE TREASURER

July 31, 2013

The Honorable C.L. "Butch" Otter
Office of Governor
700 West Jefferson
Boise, ID 83702

Dear Governor Otter:

As required by Idaho Code 67-1225 which states, "the Credit Rating Enhancement Committee shall report findings, including net debt capacity and recommendations to the Governor and the Legislature in August of each year," I am proud to submit the 2013 report on behalf of the Committee. The Credit Rating Enhancement Committee Members are the following:

Ron G Crane, State Treasurer and Committee Chair
Senator Chuck Winder
Representative Rick Youngblood
John Sager, IHFA
Wayne Meuleman, ISBA
Dave Fulkerson, DFM
Timothy D. Hill, State Dept. of Education
Leonard Crosby, Idaho Bond Bank
Rick Skinner, Skinner Fawcett LLP

The Committee would be glad to address any questions that you, a member of the Legislature, or any other official may have concerning this report or the work of the Credit Rating Enhancement Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron G. Crane", with a long horizontal line extending to the right.

Ron G. Crane
State Treasurer



**STATE OF IDAHO
CREDIT RATING ENHANCEMENT COMMITTEE**

**ANNUAL REPORT
July 31, 2013**

State of Idaho Debt Obligations

The outstanding State Guaranteed and State Authority/Association Debt Obligations of July 1, 2013 are listed below:

State Guaranteed Debt:

State of Idaho	\$ 0
Idaho Bond Bank Authority	\$ 351,165,000
School Bond Guarantee	\$ 761,652,286

State Authority/Association Debt:

Idaho State Building Authority	\$191,658,752
Idaho Housing and Finance Association*	\$693,905,000

Total Variable Rate Debt:

Idaho State Building Authority**	\$43,195,000
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Debt with Derivative Product:

Idaho State Building Authority Notional Amount**	\$38,370,000
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*GARVEE Bonds

**Included in Idaho State Building Authority total outstanding of \$191,658,752

Program Capacities:

The Idaho Bond Bank and Idaho School Bond Guarantee Capacity as of July 1, 2013:

Combined MADS (Max Annual Debt Service) = \$115,525,144.13

2012 Audited State Sales Tax Revenue \$1,216,226,286 divided by 5 = \$243,245,257.20

The programs have used 47.5% (\$115,525,144.13 / \$243,245,257.20) of the available capacity

State of Idaho Tax Anticipation Notes

On July 1, 2013 the State of Idaho issued a \$500,000,000 Tax Anticipation Note (TAN). The TAN has a yield of 0.19% with a coupon of 2.00% and matures on June 30, 2014. The State issues a TAN for cash flow management annually; in accordance with the State's balanced budget requirement the TAN cannot be outstanding over fiscal year end.

State of Idaho Ratings

Ratings on the 2013 TAN are:

Moody's:	MIG-1
Standard & Poors:	SP-1+
Fitch:	F1+

Underlying ratings for the State of Idaho are:

Moody's:	Aa1 Stable
Standard & Poors:	AA+ Stable
Fitch:	AA+ Stable

The following information can be found on the Credit Rating Enhancement Committee On-Line Reporting System (<https://ebank.sto.idaho.gov>)

- Definition of Bond Ratings
 - Rating Agency Reports
- The most recent rating agency reports for the State of Idaho, Idaho TAN, Idaho Bond Bank Authority, Idaho Housing and Finance Association, and Idaho Building Authority.

2013 Update

In 2013, Fitch Ratings assigned an underlying AA+ rating to the State of Idaho while rating the TAN issuance. The state had an implied AA+ rating in the past based on the rating received by the Idaho State Building Authority and Fitches criteria.

In 2013, the Idaho School Bond Guarantee Program adopted a program capacity. The new capacity takes into consideration the Bonds Issued with the Idaho Bond Bank Authority as both programs offer a pledge of the state sales tax. The new capacity is calculated as follows:

Combined Idaho Bond Bank plus School Bond Guarantee MADS (max annual debt service) < Prior year audited state sales tax revenue divided by 5.

With the current interest rate environment, the Idaho Bond Bank Authority and the School Bond Guarantee Program have seen an influx in applications from participants to refund their current outstanding debt.

The CREC felt that it was unnecessary to take any specific actions in fiscal year 2013.

On-Line Debt Management Reporting System

The Credit Rating Enhancement Committee maintains an On-Line Debt Management Reporting System (<https://ebank.sto.idaho.gov>) The online site contains all outstanding debt issues for the State of Idaho and allows the date from all new debt issues to be entered as soon as the new issue closes. This site gives elected officials, state employees, and rating agencies access to this information. The rating agencies stress the importance of having such a system available for the decision makers in the State.

State of Idaho Debt Management Policy

The purpose of the State of Idaho Debt Management Policy, developed by the CREC, is to provide policymakers with information to enable informed decisions regarding financing proposals and debt issuance. This central policy serves to protect and enhance Idaho's bond ratings and maintain the future availability of low-cost capital financing.

A copy of the State of Idaho Debt Management Policy can be found on the "On-Line Debt Management Reporting System" (<https://ebank.sto.idaho.gov>).

Recommendations for Improving, Coordination and Enhancement of Debt Management for the State of Idaho

The Credit Rating Enhancement Committee continues the process of establishing priorities to assist in the improvement, coordination and enhancement of debt management for the state of Idaho.